Building Your Trading Watchlist

Stocks In Play	
Volume	
1	High volume will be relative from one stock to another. You don't look just for high total volume. There are some stocks that regularly trade with high volume. What you need to look for is what is above average for that specific stock. Thirty million shares of AAPL traded in one day might very well not be higher than usual, and you should not trade AAPL unless it has a very unusual trading volume. If trading volume is not higher than normal, it means that the trading is being dominated by institutional traders and high frequency trading computers. Stay away from it.
2	The behavior of stocks that have high relative volume independent of the overall market are referred to as Stocks in Play. Every day, only a handful of stocks are being traded independently of their sector and the overall market. Day traders trade only those stocks. I sometimes call those stocks "Alpha", because in the animal kingdom, alpha is a predator at the top of a food chain upon which no other creatures prey. In day trading, alpha stocks are the ones that are independent of both the overall market and their sector. The market and high frequency trading cannot control them. We call these Stocks in Play.
3	**It is wise to remember this rule:**
	Retail traders trade only Stocks in Play - high relative volume stocks that have fundamental catalysts and are being traded regardless of the overall market.

Gappers Watchlist

NOTES:	
In summary, for finding Stocks in Play from your Gappers watchlist:	
1	Review the price action of the candidates on both 5-minute and daily charts and look for decentpre-market activity.
2	A good pre-market activity is relative, but a uniform volume on the pre-market and clean price action on the 5-minute chart is important. Having gradual moves to the upside or downside, establishing clear pre-market levels, and respecting VWAP and moving averages are sufficiently clean price action for me.
3	Shortlist the best candidates.
4	Review the daily charts to find important trading levels (see the next section).

FLOAT AND MARKET CAP

NOTES:

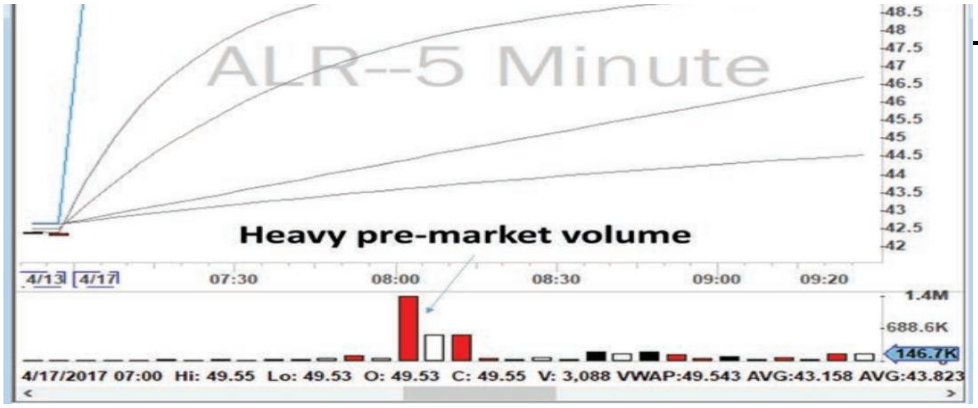
Before explaining the three categories, let me explain the definition of "float" and "market capitalization" or "market cap". Float means the number of shares available for trading. Market cap is the total market value of all of a company's shares. It is calculated by multiplying a company's float by the current market price of one share.

SN	Float Type	Price Range	Market Cap	Strategies To Use	Beneficial for	Risk Rate
1	Low Float = High Volatility in Price Movement (Moving 10%, 20%, 100% or even 1000% each day	Under 10 Dollar	Small & Micro Cap	**Strategies to Use:** Bull Flag and Fallen Angel Strategies	Good For Day Traders	High
2	Medium Float = MediumVolatility in Price Movement	10-100 Dollar	Medium Cap	**Strategies to Use:** **All** Mostly VWAP and ABCD Pattern	Good For Swing & Position Traders	Medium
3	High Float = Low Volatility in Price Movement (eg. 1 to 2 Dollars each Day)	Usually +20 Dollar	Mega Cap	Strategies to Use: All VWAP and ABCD Patterns Fundamental Analysis	Good for Investors (Traded by computers & high Frequency Traders)	Low (If not Affected by fundamental factors)

Pre-Market gappers

NOTES:	
Every morning, our trading community uses Trade Ideas scanners that are programmed to find Stocks in Play. Our Stocks in Play can be found in two ways:	
1	■ Pre-market morning watchlist
2	■ Real time intraday scans
3	■ Our pre-market Gappers Scanner is set based on the following criteria:
4	■ Stocks that in the pre-market gapped up or down at least 2% (change)
5	■ Stocks that have traded at least 100,000 shares by 9 a.m. in the pre-market
6	■ Stocks that have an average daily volume of over 500,000 shares
7	■ Stocks that have Average True Range (ATR) of at least 50 cents (how much of a range a stock has on average every day)
8	■ There is a fundamental catalyst for the stock

My next step is to narrow down the list of stocks that hit my Gappers watchlist. I may at times have over ten stocks hit my pre-market Gappers watchlist, but are all of them tradeable or should all of them be on my final watchlist? No.
Aside from investigating any fundamental catalysts, to better narrow down my selections I also look at the pre-market activity of each candidate. I am looking for:
1) clean and uniform pre-market price action, and
2) clean trading levels.



Real Time Intraday Scans

SN	Indicators
1	New High Of the Day
2	Top & Bottom Reversals
3	Halt / Resume Circuit Breakers
4	VWAP Breaking Out
5	Turbo Breakdown & Turbo Breakup
6	RSI Extreme

New High Of the Day

NOTES:	
1	■ Price range: $1 to $10
2	■ The volume today is at least 200,000 shares
3	■ The float is a maximum of 10,000,000 shares
4	■ The volume in the last 5 minutes is between 400% and 2,000% of normal
5	■ The current volume is at least 2 times the normal average volume
6	■ The 15-minute range is at least $0.30